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CIA DRAFT CONTRIBUTION FOR NIE-7

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## SUMMARY

1. Prior to the current economic crisis in Yugoslavia, the Tito regime ~~had reached a position of~~ <sup>achieved a delicate</sup> political and economic equilibrium. Although a large majority of the population remained fundamentally opposed to Communism as they have experienced it, they had come by 1950 to prefer the Tito government to any regime subject to close Soviet control and had taken considerable national pride in Tito's firm stand in the face of Soviet-Satellite pressures. Moreover, the Yugoslav economy as of mid-1950 had made a strong recovery from the effects of World War II and had made the essential readjustments required by the break with the USSR.

2. During the summer of 1950 an extensive drought materially reducing agricultural production ~~and crop yields~~ has created an economic crisis that seriously threatens the stability of the Tito regime. Substantial outside aid is essential to meet the basic requirements of the Yugoslav people until the 1951 harvest becomes available.

~~3. As a result of the drought and its effect on the Yugoslav economy, the stability of the Tito regime has deteriorated sharply.~~

3. Despite the economic crisis, the Yugoslav security forces ~~are~~ are capable of maintaining internal order during the next few months in the absence of a substantial increase in Cominform subversive activities. The Cominform probably will increase the efforts of its agents in the fields of espionage, subversion, sabotage, the fomenting of labor unrest, and possibly attempts to assassinate Yugoslav leaders. Prolonged disorder and tension eventually could lead to the formation of a so-called Yugoslav "resistance" government actually subject to Soviet domination and even could lead to a Soviet or a Satellite attack on Yugoslavia.

4. It is uncertain whether or not the Tito regime can survive the ~~next six~~ <sup>next six</sup> months if there should be no Western aid and if the Cominform should increase its efforts to undermine the government. There is at least an appreciable chance that the combination of internal discontent and Cominform-directed subversive pressure would discredit the regime and either break its hold on the country or establish local guerrilla strongholds from which to bring about the eventual overthrow of the government. Even if it survived under these circumstances, the Tito regime would lose much of its ideological appeal as an embodiment of independent, non-Soviet Communism.

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5. A softening of Yugoslav defensive capabilities might occur but is not likely to be a decisive factor in bringing on a direct military attack either by the USSR or by the Satellite states neighboring on Yugoslavia.

6. In the absence of open military attack, and with outside aid to alleviate the hardships of the people, the Tito government probably will survive the crisis.

7. If Tito obtains substantial aid from the West without assuming the role in international affairs of a US "satellite," his position both as party and national leader would remain comparatively secure, and in the long run probably would have been considerably strengthened. The resulting improvement in ~~Realization on the part of Yugoslav leaders that the future economic and political stability of Yugoslavia depends~~ ~~on the maintenance of close ties with the West is likely to~~ influence Tito to move gradually in a direction favorable to US long-range policy aims.

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